

MAY 2000 No. 10

EQUITY, DEVELOPMENT
AND CITIZENSHIP

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United Nations

ECLAC

Economic Commission for
Latin America and the Caribbean

EQUITY, DEVELOPMENT AND CITIZENSHIP

EQUITY IS THE MAIN CHALLENGE

“The main challenge facing the region as we start a new century is that of building more egalitarian societies”, the Economic Commission for Latin America and the Caribbean (ECLAC) told member governments attending its 28th session, held in Mexico City in April.

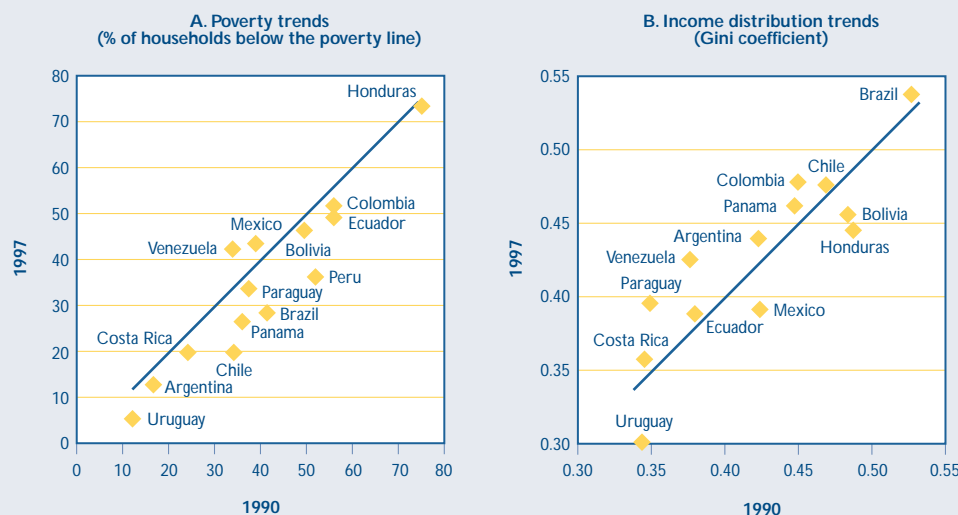
The document presented there, *Equity, Development and Citizenship*, contains a broad study of the impact of free market reforms during the nineties and suggests moving attention away from macroeconomics and focusing on a more integrated view of development that emphasizes equality and citizenship.

Its starting point is the ambiguous legacy of change begun in the seventies. Unstable economic growth and frequent financial crises were exacerbated by a new style of macroeconomic management that tends to be pro-cyclic. Although there has been “significant progress” in correcting fiscal imbalances, reducing inflation, modernizing key economic sectors and achieving more rapid growth in exports, the results in terms of overall growth, productivity and social equality have been disappointing.

Some historic imbalances have increased, while the ability to adapt varies enormously

(continued on page 3 ➡)

Changes in Poverty and Income Distribution in the 1990s



Source: ECLAC

REGIONAL DEVELOPMENT AT THE DAWN OF THE 21ST CENTURY

José Antonio Ocampo

Equality, Development and Citizenship, the paper prepared by ECLAC for its 28th Session, held in Mexico last April, offers an integrated vision of the institution's thoughts on the challenges this region faces as a new century begins. These challenges are associated with the growing demands of market globalization, but also the extension of universal values, particularly human rights, social development, gender equality, respect for ethnic and cultural diversity and environmental protection. The region faces them with a mixed legacy, associated not only with economic reforms but also the still unresolved consequences of the debt crisis and societies marked by poverty, exclusion and social inequality.

ECLAC underlines the importance of building on current achievements in terms of reduced fiscal deficits and inflation, export development, economic integration and private sector participation in development. But it also puts forward the need to find a definitive solution to the complex issues of equality facing the region. It defines advances in this area as the standard by which to measure the quality of our development, in a context of insufficient consolidation of recovery, economic growth and strengthening of democracy.

Equality, the paper states, requires integrative social policies sustained by three fundamental principles, universality, solidarity, and efficiency,

and two "master keys": education and development. Education is key to influencing equality, development and citizenship all at the same time. However, it will only be effective if the economy is also generating quality jobs. The paper examines in detail the different challenges in these areas, among them universal coverage of secondary education and improved quality at every level of education, on one hand, and the need to increase workers' and companies' ability to adapt to technological change and

***Equality requires
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economic cycles, on the other. It also points out the need to extend and make social welfare systems more mutually supportive and efficient.

In terms of development, the paper proposes a style of macroeconomic management that pays due attention to inflation and external balances but also focuses on stable economic growth and employment. It adds that macroeconomic policy must place a higher priority on the goals of economic growth, based on solid fiscal

systems, moderate real interest rates and competitive exchange rates, complemented by active policies for productive development. The latter must be oriented to safeguarding competition and regulating non-competitive markets, correcting faults in production factor markets, stimulating innovation and making the most of complementary qualities among companies that can contribute to system-wide competitiveness. The paper also points out the need to move toward a fully sustainable development agenda, encouraging forms of competition based on the accumulation of capital in the broad sense: human, physical and natural.

The citizen agenda highlights the need to apply the development agenda equally and in democratic contexts. It also indicates that apart from the problems of equality, our region also shows growing problems of social cohesion. This makes it very important to work together to build a stronger sense of society, that is, a more broadly shared awareness of individuals' responsibility to society, along with spaces for deliberation and reaching agreements, and, in general, a culture that encourages peaceful coexistence and collective development based on tolerance of difference and the negotiated solution of conflicts.

The author is ECLAC's Executive Secretary.

among the few “world-class companies” and the rest. Existing production chains were seriously disturbed and job market conditions deteriorated in many countries.

Not all these problems can be blamed on the impact of reforms, but there is disagreement over their results, particularly in political and social spheres.

The situation is all the more complicated due to the growing importance of the international context inspiring many of these reforms: globalization offers numerous opportunities, but also risk, particularly in the form of new sources of trade and, above all, financial instability.

ECLAC criticizes the incomplete and unbalanced nature of globalization, particularly its policy agenda and the “global financial architecture” of institutions associated with it. New mechanisms guaranteeing the general coherence of central economies’ macroeconomic policies, international mobility of the workforce as well as capital, goods and services, mobilization of resources to compensate those countries and social sectors left behind, and codes of conduct for transnational corporations are all urgently needed.

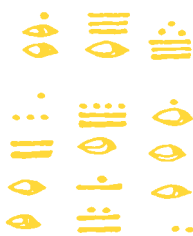
The debate has led to proposing a second or third “generation” of reforms. Instead, ECLAC suggests the need for

a complementary process of building on current achievements and, where necessary “reforming the reforms” to ensure they respond better to the region’s realities.

No single model can be universally applied and different countries need different measures. But today some factors have clearly emerged, among them the need for assertive public policy conceived not in opposition to markets but rather to create, complement and regulate them to ensure they work properly. ECLAC refers to this as “enhancing market potential”.

Equally important is achieving the social and environmental sustainability essential to any true development process. In fact, in both the medium and long term, economic success depends on it. “Economic organizational frameworks are only instruments to achieve broader social goals”, the report warns. As a result, “we need to refocus the region’s development patterns around a central principle, equity”.

The full text of *Equity, Development and Citizenship* is available on the ECLAC web site: <http://www.eclac.cl> and in print format, from the Distribution Unit, publications@eclac.cl



INVESTMENT IN EDUCATION SHOULD RISE BETWEEN 1% AND 2%

“Differences in educational achievement are the most decisive factors in generating inequality and limiting access to well-being”,

ECLAC concludes, in its paper *Equality, Development and Citizenship*.

For Latin America and the Caribbean to overcome poverty, the region’s countries must improve both the quality and the coverage of education and educational continuity. Annual spending on education should rise between 1% and 2%, depending on the case. According to ECLAC, this is “within the reach” of all countries. “Even where occupational structure shows major differences in income, equity can be improved by increasing equality of opportunity among the children of upper, middle and low income families, so they can gain access to better jobs”, the study observes.

From 1950 to 1980, the region’s educational systems grew very fast. During the eighties, cutbacks to social spending, the result of the debt crisis, slowed growth, but the situation improved in the last decade. During the nineties, almost all governments made an effort to update their educational systems, improve their

quality and ensure the efficient use of resources. This led to the partial recovery of teachers’ salaries and investment in educational infrastructure. At the same time, almost all countries implemented educational reforms.

The result has been significant progress in terms of coverage, and particularly girls’ participation in the system. However, the educational system’s inner dynamics have not responded well to changes in production and other social transformations. Teachers’ training, course content, and learning models don’t reflect economic requirements or the need to more fully exercise citizenship.

Although gross education rates are very high in Latin America and the Caribbean, ranking in the mid-range compared to the rest of the developing world, 40% of students quit school before finishing an elementary education. Those who continue are often poorly adapted to society and often prove unable to use education to break the chain along which poverty is transferred from one generation to the next.

As it stands, the educational system is “at one and the same time a tool for integration and segmentation”, the report states.

Coverage levels for primary education are good (although some countries show a deficit in this regard). On the other hand, there's an enormous lag, which is on the rise, in secondary and higher education, in comparison with industrialized countries or the rapidly growing Asian countries.

Barriers to Progress

The extremely high repetition rate from grade one on among students from low income homes prevents their advancing through the system. In fact, access to quality education remains extremely segmented by socio-economic sector. In spite of region-wide growth in education over the past 15 years, social origin still plays a decisive role in who completes high school. Currently, only about 20% of children whose parents did not complete elementary education successfully finish this level. In contrast, when it comes to the children of parents who finished at least ten years of education, 60% complete primary school (see graph).

In addition, although average years of study for young people have increased in recent decades, exceeding those of their parents, this shift has not been enough to improve the opportunities available to young people from poor social strata. Furthermore, young people from poor families are paid 30-40% less than young people with the same educational level but higher income family backgrounds. It has been demonstrated that more education is necessary but insufficient to improve equality of opportunity.

Many countries also show marked differences among regions, both in coverage and quality, with rural education lagging noticeably. One important factor is associated with the fact that growth in the number of jobs caused by higher enrollments has not brought better working conditions for teachers, who receive low salaries, few incentives and little training.



Improving Educational Supply

Latin America and the Caribbean must now work to ensure students stay longer in the educational system, and to substantially improve the quality of educational supply. This means “guaranteeing lower income groups the educational supply and mechanisms necessary to remain longer in the system, acquire the training they need and as a result enjoy greater socio-occupational mobility in the future”, ECLAC argues.

To succeed, these policies must establish a variety of approaches that focus on family and community environments shaping children before they reach school. For example, it's important to combine increased coverage of pre-school (pre-system) education, with other policies that aim to improve the learning content and models within the system itself (intra-system), as well as expanding opportunities for participation in the work force once the student has completed education (post-system).

The region's educational systems must “adjust as they go”, by acting in several areas at once. First, they must concentrate on reaching universal coverage of secondary education as soon as possible. According to ECLAC, 10-12 years of education is the average minimum required in the region to achieve a 90% probability of avoiding, or at least not continuing, in poverty. To achieve this goal, annual spending on secondary education should rise 1-2%, depending on the country. According to the report, this is “within reach” of the region's countries.

Secondly, this effort must democratize and reach mainly the poorest children. Among other things, this means increasing the number of hours students spend at school to overcome limitations in the family's educational climate, offering school meals, increasing community participation and even providing subsidies to discourage early entry into the work force.

Years of Education Needed to Reduce the Probability of Falling into Poverty

(Latin America, urban areas of some countries, early 1990s)

Country		Years of schooling	Average income in multiples of the poverty line	Percentage not poor
Argentina	1997	12-14	7.5	95
Brazil	1996	10-11	7.1	92
Chile	1998	12-14	6.3	91
Colombia	1997	12-14	4.8	87
Costa Rica	1997	13-14	8.1	96
Dominican Rep.	1997	13-14	6.2	88
Ecuador	1997	12-14	4.1	70
El Salvador	1997	11-12	5.9	89
Panama	1997	12-14	7.0	93
Paraguay	1996	12-14	4.9	88
Uruguay	1997	10-11	6.1	98
Venezuela	1994	13-14	4.1	79

Source: ECLAC, based on special tabulations from national household surveys.

Also, education must provide the skills required by our modern information-based society, particularly those that encourage “learning for the sake of learning” as opposed to the more traditional skills based on repetition and the mechanical accumulation of knowledge. Fourthly, those in charge of designing policies must also meet the challenge of the ever higher levels of education required to successfully enter the work force.

Finally, the educational system must play a role in building a modern culture of citizenship and democracy, which in the long term will decide the health of the development process.

The region lags behind its main competition in terms of human resources, labor productivity and systemic competitiveness, which makes it essential to meet these educational goals. If we achieve them, social integration and self-confidence will also rise. All this can be done, the Commission says, if there are quality jobs available for graduates.

Educational reforms have been directed at modernizing and decentralizing their management, providing greater autonomy to students, redefining public and private sector roles, training teachers, broadening the system’s funding sources and optimizing the mechanisms for assigning resources.

So far, societies have placed less emphasis on programs to improve the quality of education and strengthen the ties between the educational system and the rest of society, which is what ECLAC is proposing now. Public spending should place the highest priority on “resolving problems of participation, continuity and quality of education, with a clear emphasis on equality...”

ANNUAL GROWTH GOAL: 6%

Economic policies should target 6% annual growth or more as a desirable goal, according to ECLAC. This growth should be firmly based on three fundamental pillars: solid state systems, moderate interest rates and competitive exchange rates, to avoid imbalances and shocks.

The macroeconomic style in effect throughout the region during the past decade did not achieve stable growth or employment, a situation that brought with it high social costs. During the 1990s, the region’s economies did manage some significant achievements, among them greater credibility of macroeconomic authorities, reduced inflation, and the consolidation of viable “fiscal pacts”.

But the costs of volatile growth have been enormous. During the 20 crises registered in Latin America over the past two decades, poverty increased in every case. This explains why it is appropriate to account for social impacts of macroeconomic policy and to regularly stimulate awareness of this aspect in official analyses used to make decisions.

ECLAC believes that the region’s governments “have shown a marked preference for policies that tend to accentuate the real economic cycle”, which in turn has led to acute crises in some countries. It suggests developing active, anti-cyclic policies that take into account the economic cycle and include long-term growth as their explicit goal. Preventing crises is intimately linked to the appropriate administration of periods of bonanza.



EMPLOYMENT: AQUILLES’ HEEL OF REFORMS

Failure to create quality jobs has been the “Aquilles’ heel of reforms”, ECLAC states, in its paper *Equity, Development and Citizenship*, in reference to free market policies that transformed the region’s economies from the mid-seventies on. Employment and education are both crucial to overcoming social inequality and economic backwardness, according to the United Nations organization. The countries of Latin America and the Caribbean have a lot to do on both issues.

The region’s employment situation suffers from significant weaknesses in terms of “its level, marked inequality of access to productive jobs and a decline in the quality of social protection programs”, ECLAC states.

ECLAC’s analysis reveals that the new century has begun with open unemployment on the rise, deteriorating job quality and, in

some cases, reduced wages, a combination that varies by country but is present everywhere. More specific problems include: youth unemployment tends to double national averages and is more serious among women; women have limited access to trades and professions offering more quality and prestige; and women face persistent wage differences compared to men.

According to the figures of the international organization, the region needs to create at least 6 million jobs annually for the next decade to avoid rising unemployment and underemployment. Between 2000 and 2010 the working age population will increase by about 53 million, 1.2 times faster than population growth as a whole. Allowing for a foreseeable increase in participation rates, the economically active population will also rise to 270 million workers at the end of the first decade of this century. This means that 5.3 million people will join the work force every year.

Latin America: Unemployment Rate, 1990-1997

	Years	Total	1 st Decile	10 th Decile	D1/D10
Argentina (Bs. Aires)	1990	25.4	47.5	8.0	5.9
	1997	14.3	41.3	2.9	14.2
Brazil	1990	3.7	8.6	1.2	7.2
	1996	6.9	13.3	2.9	4.6
Chile	1990	8.3	28.8	1.9	15.2
	1996	5.7	19.7	0.9	21.9
Colombia	1990 a/	10.3	22.5	2.2	10.2
	1997	9.9	21.3	3.5	6.1
Costa Rica	1990	4.6	18.0	1.2	15.0
	1997	5.7	23.6	1.1	21.5
Dominican Rep.	1997	16.7	41.1	6.6	6.2
Ecuador (urban)	1990	6.1	17.5	1.2	14.6
	1997	9.2	23.5	2.8	8.4
El Salvador	1995	7.6	17.1	1.8	9.5
	1997	8.0	15.0	2.2	6.8
Honduras	1990	4.2	3.3	1.9	1.7
	1997	3.2	9.0	1.3	6.9
Mexico	1989	2.7	3.5	1.1	3.2
	1996	4.4	5.2	1.5	3.5
Nicaragua (urban)	1997	12.9	39.5	4.1	9.6
Panama	1991	16.1	32.3	4.4	7.3
	1997	13.4	29.5	3.5	8.4
Paraguay (urban)	1990 b/	6.5	25.6	2.0	12.8
	1996	8.2	20.1	1.9	10.6
Uruguay (urban)	1990	9.0	21.1	2.7	7.8
	1997	11.4	24.2	3.4	7.1
Venezuela	1990	9.2	38.3	1.3	29.5
	1997	11.1	29.6	3.3	9.0

Source: ECLAC, based on special tabulations from household surveys.
a/ Only 8 major cities. b/ Metropolitan area of Asunción.

Median Income at the Poverty Line Non-professional, Non-technical. Formal and Informal Sectors

Countries	Year	Formal sector	Informal sector	Ratio Median income
Bolivia	1997	3.2	2.2	1.5
Brazil	1996	3.8	2.4	1.6
Chile	1996	4.3	2.6	1.7
Costa Rica	1997	4.8	3.2	1.5
Dominican Rep.	1997	3.5	2.4	1.5
Ecuador	1997	2.9	1.8	1.6
El Salvador	1997	3.3	2.3	1.4
Honduras	1997	1.8	1.1	1.6
Mexico	1996	2.8	1.7	1.6
Nicaragua	1997	3.0	1.6	1.9
Panama	1997	4.1	2.6	1.6
Paraguay	1996	3.1	2.3	1.3
Uruguay	1997	4.6	3.0	1.5
Venezuela	1997	2.4	1.7	1.4

Source: ECLAC, based on special tabulations from household surveys of the respective countries.

Meanwhile, Latin America's Gross Domestic Product was expected to grow 3.2% annually from 1990 to 2000. Estimates prepared by ECLAC in 1996 indicate that to reduce unemployment and underemployment, economies should average 6% annual growth. But from 1991 on, unemployment has risen. Urban unemployment rose from 5.8% in the early nineties to 8.7% in 1999, reflecting insufficient growth during this period. As well, with few exceptions, real wages have increased slowly and in some cases have even dropped.

The region's economic growth in recent years, which has been low and unstable, focused in many countries on dynamic capital or natural-resource intensive sectors, "which has led to the exclusion of workers whose specific qualifications have been devalued." This has been compounded by a significant increase in both the general population of working age and participation in the work force, as well as the structural gaps in the quality of work available and the qualifications required by transformations, be they technological or in the productive structure itself.

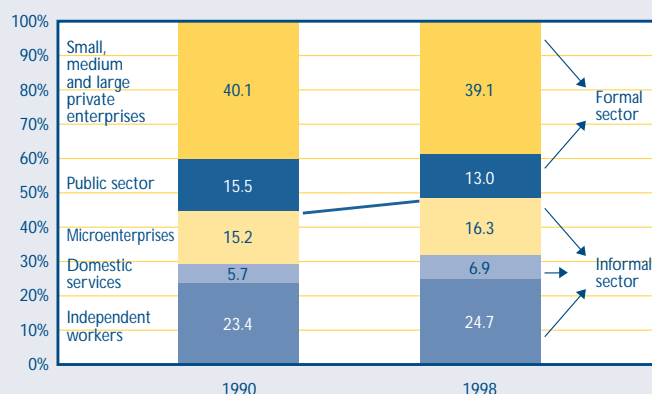


The Salary Gap Widens

Over the past decade, technological and organizational changes in companies, as in the economy as a whole, have increased social inequity.

On one hand, growth in employment and income has benefited a small group, a situation particularly apparent in the widening wage gap between workers with different levels of education. The widening of this gap is directly linked to and reinforces the structural segmentation of the job market, with a formal or modern segment at one extreme, enjoying good working conditions, and those segments characterized by low productivity and hazardous conditions at the other. These segments also differ widely in terms of job security, wage levels and productivity, training and upgrading possibilities, length of unemployment periods, turnover in both jobs and employers, social security coverage, the working environment, and the presence or absence of contracts.

Latin America : Structure of Urban Employment



Source: ECLAC, based on data from *Panorama laboral, 1998*, International Labour Organization Regional Office for Latin America and the Caribbean, Lima, 1998.

Percentage of women of active age who are employed according to level of household income, urban areas 1990-1997

	Argentina			Bolivia			Brazil			Chile			Colombia			Costa Rica		
	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change
Total	35.5	36.6	1.1	40.6	46.0	5.4	42.5	44.5	2.1	28.0	35.2	7.2	37.7	41.2	3.5	36.4	38.5	2.1
1 st Quartile	17.8	19.6	1.8	24.2	35.1	10.8	32.9	35.6	2.7	16.7	19.2	2.4	25.6	26.5	0.9	21.6	25.7	4.1
2 nd Quartile	27.3	29.1	1.8	40.3	45.7	5.4	41.1	44.1	3.0	27.2	32.4	5.2	35.0	38.7	3.6	31.9	32.4	0.5
3 rd Quartile	42.7	43.1	0.4	46.9	49.7	2.8	46.5	47.9	1.4	36.2	40.6	4.3	41.1	46.3	5.3	43.8	43.4	-0.4
4 th Quartile	57.8	58.3	0.6	51.4	54.3	2.8	50.1	51.6	1.4	44.1	50.5	6.4	50.1	55.6	5.5	49.3	54.8	5.5
C4 / C1	3.24	2.98	0.3	2.12	1.55	0.3	1.52	1.45	0.5	2.63	2.63	2.6	1.96	2.10	6.1	2.28	2.13	1.3
	Ecuador			Honduras			Mexico			Panama			Uruguay			Venezuela		
	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change	1990	1997	Change
Total	38.1	41.6	3.5	40.8	46.9	6.1	34.7	39.0	4.3	31.8	37.6	5.8	38.4	39.5	1.1	31.4	39.6	8.2
1 st Quartile	24.0	28.6	4.6	31.1	37.9	6.8	25.1	30.5	5.4	16.0	20.7	4.7	30.1	32.7	2.5	15.2	23.3	8.1
2 nd Quartile	33.9	37.2	3.3	37.1	44.0	6.9	33.2	34.9	1.7	25.3	32.2	6.9	38.0	38.8	0.8	24.9	36.8	11.9
3 rd Quartile	42.6	45.1	2.6	38.8	49.5	10.7	40.9	44.4	3.4	39.8	44.3	4.4	43.0	42.1	-0.9	37.0	45.7	8.6
4 th Quartile	53.8	59.2	5.4	55.5	56.9	1.3	40.8	49.3	8.5	49.4	55.7	6.3	44.0	46.8	2.7	51.9	54.3	2.4
C4 / C1	2.24	2.07	1.2	1.78	1.50	0.2	1.63	1.62	1.6	3.09	2.69	1.3	1.46	1.43	1.1	3.41	2.33	0.3


Source: ECLAC

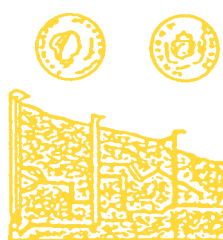
As employment has grown slowly and unevenly, so has the informal market. The informal sector covers an increasingly large share of jobs, at the expense of formal private companies and the public sector. Social benefits have declined, even for salary-earning employees who, because they are covered by a contract, usually enjoy more access to social security systems.

Recent estimates from the International Labor Organization (ILO) indicate that throughout Latin America, the percentage of urban, salary-earning employees formally affiliated to a social security system dropped from 67% in 1990 to 62% in 1998. Moreover, the number of those actually paying into pension systems has dropped noticeably, which suggests a future decline in benefits and raises questions about the new pension systems' ability to meet their goals.

After a somewhat gloomy analysis that acknowledges there

are no simple solutions, ECLAC examines the measures necessary to deal with this situation. In particular, it points to the need to support small and medium-sized firms through credits and the creation of productive chains and support networks that will allow them to share training, technology and information.

Ongoing training to face changing circumstances will be particularly crucial, as will the development of labor relationships that are both flexible and participatory, based on dialogue among unions, business executives and government. The purpose of all this should be to reconcile competitiveness with job security and to strengthen "labor adaptability", taking into consideration employers' and workers' needs, and thus increasing productivity. Participation systems for workers and unemployment insurance are among the specific proposals in this regard. 



UNIVERSAL ACCESS, SOLIDARITY AND EFFICIENCY MUST INSPIRE ECONOMIC AND SOCIAL POLICIES

Social welfare is an ethical imperative that must be compatible with but not subordinate to macroeconomic stability, ECLAC has said. Reforms during the nineties reduced

inefficiencies in the state administration of social services but have tended to show few successes "in building fairer societies".

The old social welfare systems administered by the State were segmented and regressive. Because they weren't subject to internal controls and balances, they benefited those groups most organized within society and not those who were poorest, and they lacked incentives to increase coverage and ensure universal access, "working against the goal of equality".

From the eighties on, and as part of market reforms, a critical view of the concept of universal access to social services has taken over. The public sector's role has been reduced, with services

focusing mostly on the poorest sectors, and the private sector has been encouraged to participate more, in the belief that economic growth would automatically bring social benefits. Decentralization was another major goal of these policies.

The result has been a more efficient use of resources. After the "lost decade" of the eighties, public spending on social welfare has increased significantly, while institutional structures have grown stronger and transparency has improved.

Nonetheless, "there has been no significant progress made in terms of access and quality or toward reducing poverty". In some cases, the approaches used "openly distance themselves from the principle of solidarity central to any social policy".

In light of this experience, ECLAC argues that the time has come to approach social policy in a more integrated fashion. "Universal recognition of economic, social and cultural rights has

changed the framework of social policy,” ECLAC states. Social services and goods have different connotations from others because they are also merit goods (rights and goods imbued with key social values), that is, rights that the market alone cannot guarantee and for which the State has an unavoidable responsibility.

It is essential to approach social policy as a whole, so that it brings together “the principles of universal access, solidarity and efficiency in a way that is compatible with the demands and possibilities of economic growth, overcoming the view of a centralized state”. An economic, social and political balance must be struck that ensures the provision of the best social welfare within a framework of equality and development that facilitates the convergence of individual interests with those of society as whole.

The Commission is aware of the enormous difficulties that stem from the inevitable conflicts between what is desirable and what is possible, between social and economic goals, between inter-temporal priorities and between social maximums and microeconomic efficiency.



Three Guiding Principles

To contribute to resolving these potential conflicts, some guiding principles are in order. Universal access, for example, is a “basic ethical principle” intimately linked to the principle of solidarity, which in turn is based on sharing the costs of social policy according to each person’s ability to pay. Selectivity is a way of ensuring that social services reach the poorest members of every country and every community. Solidarity, on the other hand, is based on the idea that individual and social welfare are mutually interdependent.

The third principle, efficiency, should strengthen and not compete with the principles of universal access and solidarity, by avoiding waste, misuse or non-priority use of resources that reduce social equality. Hence the need to minimize costs and maximize productivity throughout the system, by simulating market conditions and competition, increasing options and transparency,


applying effective evaluations and providing institutions involved with more autonomy.

Other principles include the need for equivalency criteria consistent with macroeconomic policy, maximizing the “virtuous circles” that exist between different criteria for social benefits (education, health care, social protection, nutrition, housing and basic services).

Equality, Development and Citizenship critically examines some of the different models for health care and pension programs. Countries have adopted a variety of designs combining public-private roles in implementing reforms. We can see significant differences, for example, in the measures used to introduce competition, structure solidarity programs and adapt to the specific characteristics of health care and pension markets.

In the case of health care, transformations have brought private players and competition into insurance or the administration of compulsory insurance, and introduced competition among public, private and quasi-market approaches to providing public services. In some cases, the rules for contributing have been changed to include risk insurance, associating fees with individual or group risk indicators.

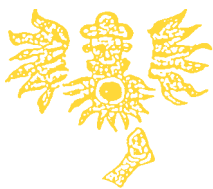
For pension systems the fundamental reform has been the introduction of individual capitalization systems, combined with changes to the basic parameters - fee payments, replacement rates and retirement ages - to improve the system’s financial performance. Similarly, changes have sought to clearly link fees and benefits (equivalence criteria), leading in some cases to the creation of individual funds feeding into pension funds that are then invested on financial markets and administered by private firms (the individual capitalization system).

The paper also reviews in detail regional public spending and decentralization of social services, providing several recommendations on this account. This section concludes by analyzing the challenges social services will face in the coming years, in a context of demographic transition and an aging population. 

Latin America and the Caribbean (17 countries): Change in the Relationship between Social Spending and GDP, by sectors

	Social spending / GDP		Social spending / GDP							
			Education		Health		Social security		Housing and social assistance	
	1990-1991	1996-1997	1990-1991	1996-1997	1990-1991	1996-1997	1990-1991	1996-1997	1990-1991	1996-1997
Argentina	17.7	17.9	3.3	3.8	4	4.1	8.3	8.0	2.1	1.9
Bolivia	6.0	12.0	3.1	5.9	1.2	1.4	1.0	2.7	0.7	2.0
Brazil	19	19.8	3.7	3.4	3.6	2.9	8.1	10.1	3.5	3.4
Chile	13.0	14.1	2.6	3.3	2.1	2.5	7.0	6.7	1.4	1.7
Colombia	8.1	15.3	3.1	4.4	1.2	3.7	3	5.4	0.8	1.8
Costa Rica	18.2	20.8	4.7	5.8	7.1	7.3	4.4	5.5	2	2.2
Dominican Rep.	4.5	6	1.2	2.3	1	1.4	0.4	0.7	2	1.7
El Salvador	5.4	7.7	2.1	2.6	1.8	2.8	1.4	2	0.2	0.2
Guatemala	3.3	4.2	1.6	1.7	0.9	0.9	0.7	0.7	0.1	0.9
Honduras	7.8	7.2								
Mexico	6.5	8.5	2.6	3.7			3.1	3.6	0.8	1.2
Nicaragua	10.3	10.7	4.9	4.3	4.2	4.4			1.2	1.9
Panama	18.6	21.9	4.7	5.5	6.1	6.8	5.8	6.6	2	3.1
Paraguay	3	7.9	1.2	3.9	0.3	1.2	1.1	2.6	0.4	0.2
Peru	2.3	5.8								
Uruguay	18.7	22.5	2.7	3	3.2	3.7	12.4	15.3	0.3	0.5
Venezuela	9	8.4	3.4	3.1	1.5	1.1	2.4	2.9	1.6	1.2
Simple average	10.1	12.4	3.0	3.8	2.7	3.2	4.2	5.2	1.3	1.6

Source: ECLAC, on the basis of social spending data.



MORE CITIZENSHIP, MORE SOCIAL COHESION

One of the side effects of modernization is the loss of social cohesion. ECLAC argues, however, that in Latin America and the Caribbean there is a clear link between the lack of equality within a society and low levels of social cohesion. Throughout the region, democracy, economic growth and equality have followed separate paths during the past decade. Many countries face emerging problems born of political disillusionment and apathy among their citizens.

The great challenge for the coming years is to move toward more equitable societies. To do so requires achieving a delicate balance between economic and social policies and a more far-reaching exercise of citizenship. Strengthening citizenship improves social cohesion and provides the political legitimacy necessary to lead profound transformations. Greater equality of opportunities prevents future discrimination and exclusion, as well as infusing society with a greater commitment to the rules of a system perceived to reward merit.

During the 1990s the region once again began to grow, although not enough and in a rather volatile fashion, while the number of elected governments grew to the highest number in history. But unequal distribution of income and opportunities, “continues to be acute, if not dramatic”, as the ECLAC paper, *Equality, Development and Citizenship* indicates.

In every country, public insecurity is on the rise. In some places urban violence has reached critical levels that are reflected in vital statistics and the basic dimensions of social relations. The most general indicator of violence, the number of homicides for every 100,000 inhabitants, shows that from the 1980s to the mid-1990s, this rate rose throughout the region.

The improved circulation of symbolic goods contrasts with increased concentration of material goods. Higher social spending as a percentage of Gross Domestic Product (GDP) is one of the decade’s achievements, but it does not mitigate the lack of social cohesion and integration and growing insecurity among citizens.

Leaps forward in productivity for one particular sector of a national economy tend to go hand in hand with a growing productivity gap typical of the Third Industrial Revolution and the enormous number of workers employed informally, which in many countries is more than half the workforce.

ECLAC underlines the importance of the modern exercise of citizenship and its influence over social distribution not only because it includes many of those excluded from political decision-making, but also and above all because it impacts on areas that define other kinds of equality: access to justice, to knowledge and citizens’ security, and a society-wide concern about arbitrary discrimination, particularly based on gender or ethnic origin.

Consolidation of the region’s new democracies gives special importance to political cooperation in facing the future with projects for sustainable development. This has brought second generation rights to the fore, to allow people to participate in decisions and take on projects in political life and the State. However, the institutionalization of democracy crumbles under the fact that a significant part of the population finds itself excluded from public debate and decision making.

Citizenship implies a reciprocal commitment between public power and individuals. The former must respect individuals’ autonomy, allowing them to participate in policy making, and provide possibilities for social welfare and productive opportunities, to the degree that the economy allows this. The latter must exercise their ability to pressure so the State meets the commitments referred to above, but at the same time must contribute by participating in the public sphere, to enrich it.



Social Cohesion, Indigenous People and Citizens’ Security


By increasing social cohesion, we seek to combine democratic improvements and a stronger role for society as the sphere for communication and decision making, as well as internationalize democratic rules among different players.

Citizens’ security is a sphere in which citizenship and social cohesion are intimately linked. One of the most serious aspects of growing urban violence is that its consequences reach far beyond mere perception, conditioning whole styles of life. To increase security, judicial reforms are required to reduce impunity for most crimes, to strengthen the system’s ability to control and punish crimes, and to generate among citizens a general sense of safety and trust in governing institutions.

Today’s democracies suffer from their own particular tension. On one hand they’re trying to recover or revitalize equality, understood as the inclusion of the excluded. On the other, they’re trying to support and promote differentiation, understood as cultural diversity, plural values and greater autonomy of subjects.

The need to balance more equal opportunities with respect for differences is expressed primarily in the combination of social development and cultural affirmation of the region’s ethnic groups.

The region’s indigenous population has reached some 40 million to 50 million people, about 8% to 10% of the total. Black and Afro-Americans add up to some 150 million people, about 30% of total population. Poverty, marginality and exclusion are structural characteristics marking both indigenous and Afro-American populations.

In contrast, there’s growing awareness among citizens of the right to diversity and identity, combined with greater support from governments for cultural, social and economic rights. 

Social Distribution from the Standpoint of Complex Equality and Citizen Rights

The concept of complex equality has consequences both for the way the social situation is interpreted and for the aspects suitable for public action. Different aspects of equality concern different citizen rights and, in turn, open up possible fields in which the State, or social organizations, can carry out a distributive function. Equality has symbolic aspects and material aspects that do not necessarily coincide (for example, access to public debate and access to consumer goods). There are also aspects of equality that have a greater systemic effect than others (greater equality of access to high-quality education as against equality before the law). In turn, different citizen rights and expressions of citizenship raise different challenges for the distribution of goods and social opportunities, and also redefine equality in its different aspects.

Objects of social distribution	Aspects of equality	Citizen rights
Distribution of access to the level of well-being that society is in a position to provide given its average level of productive development	Social equality and less material inequality	Social rights and economic rights
Distribution of productive employment, training for employment and different productive resources	Social equality and less productive inequality	Economic rights and social rights
Distribution of access to education, knowledge, information and communication, which tends to open up future opportunities for social well-being	Symbolic equality	Social rights, cultural rights and new citizenship linked to the information society and to the "public-media" sphere
Distribution of control by individuals over their own situation and life plans by virtue of the power to influence decisions affecting the living environment that forms the setting for this situation and these plans	"Volitive" equality, also definable as positive freedom	Civil rights (being able to decide), political rights (being able to influence) and new citizenship linked to negotiating capabilities and the use of strategic information
Distribution of access to social networks that constitute social capital, promote empowerment and contribute with social promotion mechanisms	"Binding" equality	Social rights and new citizenship (power of negotiation and association); citizenship in the republican sense
Distribution of power to assert one's own cultural practices and views of the world in the framework of a pluralistic public dialogue	Equality of "identity"	Cultural rights and political rights
Distribution of "public voice", of presence in political dialogue and in decision-making	Political equality	Political rights, citizenship in the republican sense

Source: ECLAC, *Social Panorama of Latin America*. 1998 edition (LC/G.2050-P), Santiago, Chile, 1999. United Nations publication, Sales No. E.99.II.G.4.

HOW TO REDUCE THE REGULATORY DEFICIT

Both the quantity and the quality of public utilities have improved. Privatization throughout the region during the eighties and nineties produced a significant advance in market regulation. However, experience shows that this doesn't always guarantee competition, and that it's necessary to perfect regulatory frameworks and practice. In some countries in Latin America and the Caribbean we can see a regulatory deficit, and in others new challenges have arisen as a result of maturing markets.

ECLAC finds the most significant regulatory challenges to be in financial activities, public utilities serving households, social sectors where public and private agents co-exist, and in activities with environmental externalities. It believes that the hasty approach to some privatizations led to oversights in the design of regulatory norms. Today, government action often comes up against restrictions resulting from the rights acquired during the privatization process.

Two important lessons arise from privatization of public utilities. The first is that "the definition of the regulatory framework, along with institutional design and implementation of enforcement bodies should precede privatization itself. If it doesn't, reforms may be unstable and lead to equity transfers and unjustified earnings, sometimes of enormous proportions". The second lesson underlines the importance of drawing a clear line between the functions of articulating sector policies for development, regulating and running utilities.

ECLAC found that except for Colombia, none of the region's countries have general legislation regulating public utilities. The prevailing reality is fragmented national laws with no legal enforcement of the elementary principles behind public utilities. This leads ECLAC to observe that utility companies are basically covered by regulation, but other broader legislation, like laws to defend and promote competition, or more specific areas like contract law or natural resource laws governing water, for example, are also decisive.

In terms of specific regulatory frameworks, ECLAC suggests that it is appropriate "to build in respect for minimum principles that permit control of activities and their related goals: service of appropriate quality and quantity, reasonable fees, access to information, access to key natural resources and facilities, and standards governing compulsory accounting, judicial procedures and conflict-resolution so as to safeguard transparency and fairness".

Produced by ECLAC Information Services

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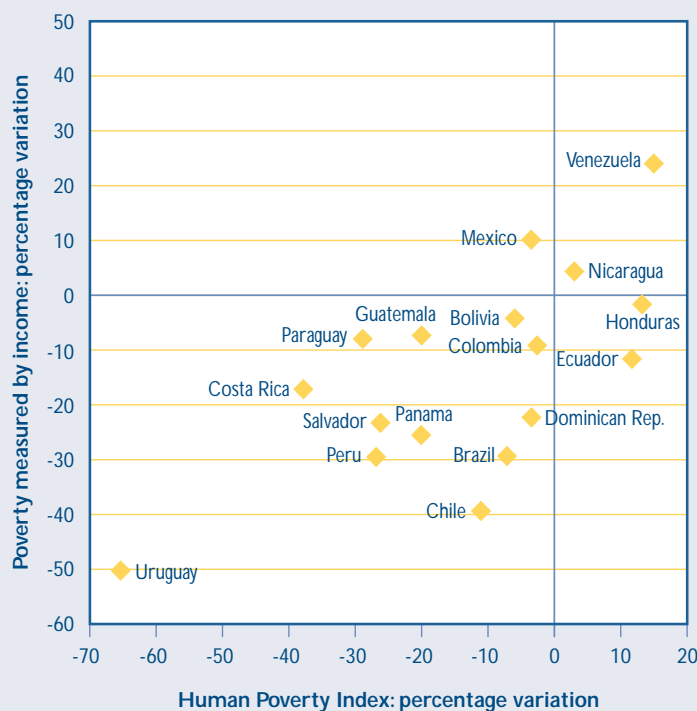
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The symbols used in this newsletter represent the various indigenous cultures of the Americas and some of the milestones in the region's history. The symbols are engraved on the outside of the conference rooms at ECLAC headquarters in Santiago, Chile.



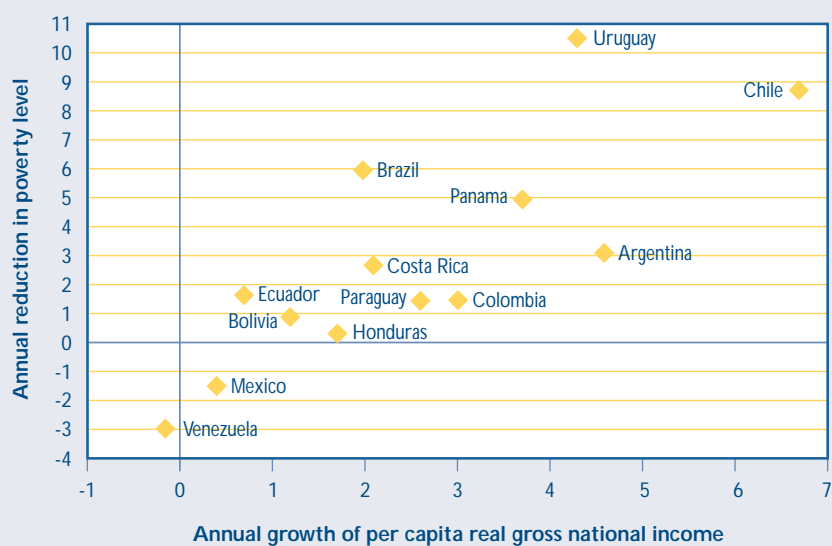
STATISTICAL APPENDIX

Trends in Poverty Indicators during the 1990s



Source: Poverty by income: ECLAC, *Social Panorama of Latin America, 1998* (LC/G.2050-P), Santiago, Chile, 1999. United Nations publication, Sales No.E.99.II.G.4: Human Poverty Index (HPI): United Nations Development Programme (UNDP), *Human Development Report, 1999*, New York, 1999.

Poverty Reduction and Per Capita Real Gross National Income, 1990-1997
(Average annual rate of variation, in percentages)



Source: ECLAC, on the basis of official figures provided by the countries and special tabulations of the results of the relevant household surveys.



1 Catálogo de Publicaciones 2000, (LC/G.2094, Bilingual). A complete list of ECLAC's main periodicals, books, co-editions, authors. [www](http://www.eclac.org)



2 International Migration in Latin America, Demographic Bulletin No. 65,

(LC/G.2065-P, Bilingual, US\$6 each or annual subscription -two issues- US\$10). This issue, published by the Latin American and Caribbean Demographic Center (CELADE), provides population census figures for 16 Latin American countries, the U.S. and Canada, with summaries including figures for Cuba, Haiti, Honduras, and Dominican Republic. [www](http://www.eclac.org)

3 Desarrollo social, reforma del Estado y de la seguridad social, al umbral del siglo XXI, by Carmelo Meso-Lago. Políticas Sociales Series No. 36, (LC/L.1249-P, Spanish, US\$10). This comparative study evaluates the costs and benefits of changes to social security throughout Latin America and how effectively they counteracted the hardships resulting from economic crises in the eighties, and distributed the benefits of growth in the nineties. [www](http://www.eclac.org)

4 Marcos regulatorios e institucionales ambientales de América Latina y el Caribe en el contexto del proceso de reformas macroeconómicas: 1980-1990, by Guillermo Acuña. Medio Ambiente y Desarrollo Series No. 20, (LC/L.1311-P, Spanish, US\$10). Using case studies for nine Latin American countries, this paper identifies the main features of new laws and institutions created during the nineties to handle environmental standards and issues. [www](http://www.eclac.org)

5 Crisis Bancarias: causas, costos, duración, efectos y opciones de política, by Juan Amieva Huerta and Bernardo Urriza González. Política Fiscal Series No. 108, (LC/L.1324-P, Spanish, US\$10). Compares the relative effectiveness and costs of measures applied in selected countries around the world to confront major banking system crises. [www](http://www.eclac.org)



6 Achieving educational quality: What schools teach us, by Beverley Carson. Desarrollo Productivo Series No. 64, (LC/L.1279-P, English, US\$10). A quantitative macro and qualitative micro analysis of schools in Chile's special P-900 program (for poorest schools) and a proposal for upgrading educational quality. [www](http://www.eclac.org)

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MONTH	EVENT	VENUE
MAY		
5 May - 2 June	First International Course - Designing and Evaluating Transport Policies, Latin American and Caribbean Economic and Social Planning Institute (ILPES)/ECLAC	ECLAC Santiago, Chile
8	Regional Seminar - Prospects for Mining Investment in Latin America During the First Decade of the 21st Century, ECLAC/Latin American Mining Organization	ECLAC
15	Second Regional Meeting for United Nations Inter-Agency Coordination, ECLAC/UN System	ECLAC
15 - 17	Second Regional Conference to Follow Up on the World Social Development Summit	ECLAC
15 - 25	Course - Regional Diploma in Human Settlement, Interamerican Development Bank /ECLAC/others	ECLAC
19	International Seminar - Land Management and Sustainable Urban Development, ECLAC/Lincoln Institute for Land Policies/Regional Diploma in Human Settlement/Ministry of Housing and Urbanism of Chile	ECLAC
JUNE		
5 - 16	International Course - Policies and Instruments for Decentralizing the State in Latin America, ECLAC/ILPES/World Bank/German Society for Technical Cooperation (GTZ)/IDB	ECLAC
14 - 15	Regional Consultation of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee, on policies for reducing poverty, OECD/Ministry for Technical Cooperation, Germany (BMZ)/ECLAC	ECLAC
19 - 20	Best Practice and the Human Rights of Migrant Workers, CELADE- ECLAC Population Division/International Organization for Migration (IOM) /Organization of American States (OAS)	ECLAC

